AIR FORCE

"WHITE PAPER" STUDY

31 JANUARY 1986

RETIREMENT HOMES

"WHAT FUTURE RELATIONSHIP, IF ANY, SHOULD THE AIR FORCE HAVE WITH RETIREMENT HOMES?"

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C.

Lieutenant General Evan W. Rosencrans, USAF, Retired
217 Sagecrest
San Antonio, Texas 78232

19 FEB 1986

Dear General Rosencrans

Thank you for your work and leadership in producing the "white paper"--"What Future Relationship, If Any, Should the Air Force Have With Retirement Homes?". It is an excellent product, and obviously demanded a great deal of time and effort by everyone involved. The report will greatly assist me in defining the Air Force position on retirement homes. These homes have traditionally been tough problems which have defied easy solutions. Your findings have clarified the many aspects of this issue and should prove a tremendous help to me.

Again, my thanks to all involved, and especially to you. Your efforts clearly demonstrate your hard work and appear to be right "on target".

Sincerely

John

JOHN A. SHAUD
Lieutenant General, USAF
Deputy Chief of Staff, Personnel

217 Sagecrest
San Antonio, Texas 78232

31 January 1986

Lieutenant General John A. Shaud, USAF
Deputy Chief of Staff, Personnel
Headquarters United States Air Force
Washington, DC 20330-5060

Dear General Shaud

The attached "white paper" is forwarded for use in determining the Air Force's future relationship with retirement homes. It represents the collective efforts of the study group.

We appreciated the opportunity to serve the Air Force and hope this study proves beneficial to you. If there is any area of the study you would like to discuss, please let us know.

Sincerely

EVAN W. ROSENCRANS
Lieutenant General, USAF, Retired

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WHITE PAPER

"WHAT FUTURE RELATIONSHIP, IF ANY, SHOULD THE AIR FORCE HAVE WITH RETIREMENT HOMES?"

Study Group

Lt Gen E. W. Rosencrans, USAF, Retired
Maj Gen W. H. Reddell, USAF, Retired
Maj Gen A. J. Dreiseszun, USAF, Retired

31 January 1986

1. Introduction.

a. On 19 December 1985, the Deputy Chief of Staff, Personnel, Lieutenant General John A. Shaud, invited Lieutenant General Evan W. Rosencrans, USAF, Retired, to chair a study group to provide the Air Force a "white paper" for the Chief of Staff (Atch 1). The paper would help to determine what future relationship, if any, the Air Force should have with retirement homes. On 15 January 1986, General Rosencrans formally accepted the responsibility in a letter to General Shaud (Atch 2).

b. Membership on the study group was up to General Rosencrans. Selected were Major General William H. Reddell, USAF, Retired, and Major General A. J. Dreiseszun, USAF, Retired (and Air Force Retiree Council Chairman). The three generals' backgrounds include tours as president of the Air Force Village Board of Trustees, which brought valuable experience and understanding to the study group.

c. The full services of the Air Force Team (AFT) (explained later in this paper) were made available to the study group. This included briefings and staff assistance.

d. This paper summarizes the efforts of the study group. Following some background comments are a review of the current and proposed retirement homes, the AFT, and the Air Force Assistance Fund (AFAF). It also includes presentation of various options the Air Force can consider in planning its future relationship, if any, with retirement homes, and a proposed course of action.

2. Background.

a. There are two retirement homes which enjoy an official relationship with the Air Force. These are the Air Force Village (AFV) and the Air Force Enlisted Widows Home (AFEWH). They are affiliates of the AFAF and, as a result, receive voluntary financial support from members (both active duty and retired) and employees of the Air Force. These homes also receive advice and consultation support from the Air Force through the AFT, a group of senior staff representatives.

b. Each of these homes offers a retirement home environment to their respective clientele. AFV supports Air Force retired career officers, widows, their dependents, and survivors. AFEWH supports retired career enlisted personnel, widows, their dependents, and survivors. Since there are over 530,000 Air Force retirees and over 40,000 surviving spouses, it is recognized by the Air Force that these homes cannot meet the needs of the entire community. Historically, however, the Air Force and its members have provided financial and consulting support to these homes and viewed them as symbolic of the care and concern the Air Force has for the whole community.

c. The AFV and AFEWH initially planned their efforts for widows. In both instances, insufficient numbers of widows showed an interest in living in such communities, and the homes had to modify their plans in order to achieve the necessary financial support and obtain full occupancy. The end result is that widows are in the minority at AFV, and at the AFEWH widows account for only two-thirds of the residents. The point here is that initial Air Force involvement in both instances was for the primary purpose of supporting efforts for Air Force widows. This means that in the beginning, the Air Force did not plan on being involved with homes for its retirees. It just evolved that way.

d. The AFV has grown into a solid, secure operation. In a sense, it was a pilot project which after many years of financial and management effort (struggle) is now a demonstrable success. Now other parties want to emulate the AFV. The AFEWH, which provides services on a smaller scale, has not enjoyed the same success or popularity. It is important to remember that although others may view the role of the Air Force as being to provide such homes for all interested retirees and their dependents, the Air Force has never indicated a desire, intention, or plan to expand the concept geographically. In fact, seeing that interest in these efforts was mounting, the Air Force implemented policy (to be addressed later in this paper) to preclude financial or other involvement with such retirement communities.

e. In recent years, other retirement home ventures for the Air Force retired officer community have surfaced. (The Air Force is not aware of any attempts to open new retirement homes for the Air Force enlisted community.) At least two ventures appear serious. These are the Air Force Village West (AFVW) in California and the Air Force Retired Officers Community (AFROC) in the Washington, DC, area. Consequently, the 1985 Air Force Retiree Council, in their report to the Chief of Staff, proposed limiting future Air Force involvement to only the AFV and AFEWH.

f. The saying "Air Force takes care of its own" represents the Air Force tradition of providing for the morale and welfare of its members and their dependents. In the case of the retired community, this statement has taken on new meaning among a few. It is that the Air Force should provide support to retirement centers. However, the Air Force responsibility to retirees lies in protecting retired pay, insuring timely delivery of checks to retirees and annuitants, providing effective base support and services (exchange, commissary, medical, etc), and so on. The Air Force is not obligated in any way, by statute or otherwise, to provide retirement home support. However, Air Force voluntary involvement with AFV and AFEWH has set a precedent.

3. Air Force Village (AFV).

a. AFV is a home-for-the-aging community with a licensed health care center. AFV is an independent, nonprofit, federal tax-exempt, charitable organization that is owned and operated by

the AFV Foundation, Inc. It is located in San Antonio, Texas, on AFV-owned land, near Lackland Air Force Base. The purpose of AFV is to provide a "life care" retirement community. Eligibles include widows, widowers, and dependents of Air Force officers and retired Air Force officers, single or with spouse. (Survivors must be 55 or older and members must be 62 or older.)

b. AFV consists of two villages, AFV I and AFV II. Each are independent financial entities under the control of the AFV Foundation.

(1) AFV I consists of 125 garden apartments and 252 high- and mid-rise apartments for a total of 377 living units. There are also a 34-room (68-bed) health care center, dining room, library, guest room, recreation room, beauty shop, arts and crafts room, chapel, community rooms, hobby shop, exercise room, and so on. AFV I is fully occupied with 580 residents (179 couples, 192 single women, and 30 single men). Some of the AFV I land was donated by a developer, and the remainder was later purchased by AFV from the same developer.

(2) AFV II is an expansion project on 145 acres in San Antonio, Texas, approximately five miles from AFV I. AFV II land was purchased from a private source. When completed, it will consist of 410 apartments (210 mid-rise and 200 garden type), a 68-bed health care center, and various support facilities (as AFV I). Cost of the project will exceed $40M. Phase I construction (310 apartments, health care center, and support facilities) will be completed in 1986. Occupancy is planned for fall, 1986. Phase II construction (100 additional garden-type apartments) will be completed in 1987, with occupancy in late 1987. Of the initial 310 apartments, 259 have been sold (72 of these fully paid at an average cost $68K). AFV II financing was produced by "letters of credit" to secure short-term variable rate, tax-exempt bonds, with a triple "A" rating ($38M) and by the Founder's Fee paid by AFV II residents.

(3) There are over 1,800 applicants on the priority (or waiting) list to move in AFV. The list is considered valid as couples pay $750 and singles $500 to get on it. The money is refundable, but no interest is paid. Of these, approximately 400 have paid at least 20 percent of their Founder's Fee to get on the frozen list. AFV expects to satisfy the immediate needs of these applicants with the completion of AFV II.

c. AFV is funded from two general categories, donations and fees. No appropriated or nonappropriated money is received from the Government.

(1) Donations fall primarily into the category of charitable contributions and fund raising. Examples are donations from officers' wives clubs, the AFAF, membership contributions, individual donations, foundation and corporate gifts, individual trusts, memorials, and bequests. Of particular

interest is the membership which can accompany the various forms of donations. Based on the types of organization, size of gift, or other factors, several kinds of membership are awarded--sponsor, life, sustaining, and life patron. All but the life patron members are entitled to vote for members of the Board of Trustees.

(2) There are two basic fees. These are the Founder's Fee and the Monthly Maintenance Fee. The Founder's Fee is paid by the resident to assure life tenancy of the apartment selected. The Founder's Fee ranges in price from $26,240 (410 square-foot, 1-bedroom, 1-bath apartment) to $89,493 (1,297 square-foot, 2-bedroom, 2-bath apartment). The Monthly Service Fee is the money paid by residents to offset operating costs. The Monthly Service Fee is standardized at $.77 a square foot and ranges from $315 to $846, depending on the apartment size. (The Monthly Service Fees have not been established for AFV II--they will likely be about 10 percent higher.) The AFV bylaws state, however, that "No otherwise qualified applicant shall ever be refused admission by reason of inability to pay such applicant's pro rata share of the expenses of operating such facilities." Further, eligible Air Force widows whose circumstances dictate immediate financial assistance and residency are given priority by moving to the top of the waiting list.

d. The Air Force neither has legal authority nor legal responsibility for AFV. Per Air Force Judge Advocate interpretation of law, Air Force involvement in AFV is severely limited to that of only providing advice and consultation services.

e. AFV is located just minutes from the Wilford Hall USAF Medical Center. In addition, the Brooke Army Medical Center and the Audie Murphy Veterans Hospital are in San Antonio. Numerous civilian hospitals and the South Texas Medical Center are also available in the area.

4. Air Force Enlisted Widows Home (AFEWH).

a. AFEWH is a private, not-for-profit corporation which provides housing facilities and services to eligibles. It services the Air Force retired career enlisted community (members 62 and older, and their spouses, widows 55 and older, and surviving dependents 55 and older). It is located at Fort Walton Beach, Florida, near Eglin Air Force Base. AFEWH consists of two retirement villages--Teresa Village and Bob Hope Village (BHV).

b. AFEWH is funded by donations and rental fees. Donations are primarily charitable contributions and fund raising, similar to AFV. The major source of income is the AFAF which historically accounts for 40-80 percent of AFEWH total income. No membership accompanies the various forms of donations. AFEWH is a closed corporation, and no voting rights are extended outside the Board membership. Rental fees range from $200-300 per month.

(There is no fee similar to the AFV Founder's Fee.) BHV residents must pay a $500 nonrefundable fee at the time they reserve an apartment.

c. The two villages are not independent financial entities (as in the case of AFV I and AFV II). Both are controlled by the same management and the AFEWH Foundation.

(1) Teresa Village, a former commercial apartment complex purchased by AFEWH, consists of 122 living units. There is a chapel, library, community room, game room, and swimming pool. It is fully occupied with approximately 161 residents (40 couples and 81 singles).

(2) Partially completed in 1985, BHV now consists of 128 living units and two small community rooms. This is an AFEWH expansion project. When finished, there will be a total of 256 apartments; a commons building with administrative, dining, and recreational facilities; a chapel; and a swimming pool. Cost of the project will exceed $12M. AFEWH is constructing BHV on a pay-as-you-go basis, with the primary source of funds being donations. BHV is on 79 acres of land formerly owned by Eglin Air Force Base, which was made available to AFEWH at a fair market value of $160K by special legislation. This legislation mandated that the Secretary of the Air Force approve all construction plans. There are now approximately 12 couples and 89 singles residing in BHV. Vacant apartments are spoken for.

(3) AFEWH has approximately 400 applicants on the waiting list. It is considered "soft" as no money is paid to get on it.

d. The Air Force neither has legal authority nor legal responsibility for AFEWH. Per Air Force Judge Advocate interpretation of law, Air Force involvement in AFEWH is severely limited to that of only providing advice and consultation services.

e. AFEWH is not a life care facility. Medical facilities are not located at either Teresa Village or BHV. Teresa Village is approximately 15 minutes from the Eglin Air Force Base Hospital, and BHV is about five minutes from the base hospital. Residents of AFEWH are expected to be ambulatory. Those who become nonambulatory, in most instances, would be required to relocate to a nursing home or other suitable facility. AFEWH has provided assistance in relocating those few residents who have had to move out. AFEWH depends on the services in the Fort Walton Beach area to complement those available at Eglin Air Force Base.

5. Planned Retirement Homes.

a. Air Force Village West (AFVW).

(1) AFVW is incorporated in California as an

independent, nonprofit, tax-exempt, charitable organization. It is an effort led by General Curtis E. LeMay, USAF, Retired, who is Chairman of the Board. AFVW plans to construct an AFV-type facility on excess land at March Air Force Base, California.

(2) Public Law 98-407 (1984) made 150 acres of excess land at March Air Force Base available to AFVW for the purpose of constructing a retirement home for the Air Force retired officer community. AFVW had 10 years to purchase the land at fair market value (now estimated at $15K per acre). Restrictions on the land usage applied for 50 years. The Secretary of the Air Force was approving authority for construction plans. Public Law 99-167 (1985), however, deleted the 10-year and 50-year reversion clauses and eliminated the requirement for the Secretary of the Air Force to approve the plans.

(3) AFVW financial information is not readily available. However, it is known that AFVW has not been successful in obtaining financing for the land purchase and construction. This is believed to be because it has no assets to offer as collateral and no record of prior success. This is one reason that AFVW has sought to achieve a formal relationship with AFV. However, AFV will not entertain such a proposal until after its AFV II project is satisfactorily complete.

(4) There are approximately 411 depositors signed up for AFVW, with 286 desiring initial occupancy. Advertised sign-up rates are $1,000 for singles and $1,500 for couples. AFVW has accepted deposits from Army, Marine, and Navy retired officers (approximately 30) to get their initial enrollment (same approach used by AFV in its early years).

(5) AFVW is to initially consist of 74 single-family homes, 187 homes in clusters, and a mid-rise with 50 apartments. Long-range plans are for a total of 720 living units, a health care center, and other facilities similar to AFV.

(6) March Air Force Base has a hospital which is approximately 5 minutes from the site. The Riverside Community Hospital, Riverside General Hospital, and a number of smaller medical facilities are nearby. Less than 20 miles away are the Jerry L. Pettis Memorial Veterans Hospital and Loma Linda University Medical Center, both in Loma Linda.

(7) The Air Force has no official ties with AFVW. However, AFVW does lease temporary office space at March Air Force Base as well as a small parcel of land for placing a trailer near the proposed construction site. Other than the lease agreement, the Air Force neither has legal authority nor legal responsibility for AFVW. The AFT has assisted AFVW in contacting retirees by making address labels available to March Air Force Base officials. The AFT has also provided demographic data and publicized AFVW in the USAF News for Retired Personnel, Afterburner, which is mailed to all Air Force retirees.

b. Air Force Retired Officers Community (AFROC).

(1) AFROC is now incorporated as a nonprofit activity. Plans call for a residential and health care facility for retired officers and their surviving dependents somewhere in the greater Washington, D.C., area. As advertised, the community will not be affiliated with AFV, either financially or administratively; however, it will provide similar basic accommodations. It also plans to provide for the return of equity to all invested residents on a graduated basis.

(2) AFROC is led by Lieutenant General Hans H. Driessnack, USAF, Retired. He has been in contact with the Chief of Staff and members of the AFT. General Louis T. Seith, USAF, Retired (Air Force Aid Society Director) is also prominent in this effort and has been in frequent contact with the Air Force.

(3) AFROC has given the impression it will not request AFAF affiliation or other major Air Force support. However, requests have been made of the Air Force and the AFT. AFROC has used an official Andrews Air Force Base address and was working part-time out of the base retiree activities office. Even today, the retiree activities office is somewhat involved. The Andrews director of personnel supervises the handling of mailing labels for AFROC. On two occasions, the AFT has sent mailing labels to Andrews for use in distributing AFROC information to retirees in the D.C. area. The Air Force has also mentioned AFROC in the USAF News for Retired Personnel, Afterburner. It is also understood that the Air Force Aid Society (an AFAF affiliate) has used its resources at least to a small degree, in printing AFROC publicity and preparing it for mailing. Although AFROC claims it will succeed independent of the Air Force, it has used Air Force resources, however slight. The office space, telephones, distribution of correspondence, mailing label costs, Air Force Aid Society involvement (supported by Air Force member donations), and so on, represent active Air Force involvement.

(4) The status of AFROC cannot be determined at this time. Reportedly, its plan is to have an independent developer construct and present a "turn-key" operation. Funding will be similar to AFV.

(5) The Air Force has no legal authority or responsibility over AFROC.

6. Other Retirement Homes.

a. General Edwin W. Rawlings, USAF, Retired, has contacted the Chief of Staff and members of the AFT on several occasions about more retirement homes for the Air Force retired officer community. General Rawlings, although a member of the AFVW Board of Directors, seemed to be acting on his own behalf. Specifically, he has requested legislation making excess land available at the Air Force Academy, Andrews Air Force Base, and

Eglin Air Force Base for the purpose of building AFV-type facilities. The Chief of Staff advised him no land was excess. General Rawlings has also requested Army land at the Tripler Army Medical Center in Hawaii for a joint services officer retirement home. General Rawlings made these requests following his review of retired officer demographics which he obtained from the AFT.

b. The AFV has been contacted on several occasions by a group of Air Force officers in Denver, Colorado, who plan to construct a retirement home for Air Force retirees. The AFT was contacted once by a similar group in New Braunfels, Texas, which inquired about getting financial assistance from the Air Force. There has been rumor of interest in Biloxi, Mississippi.

c. Communications in all cases appear to be from individuals concerned with providing primarily a local service to officer retirees and their dependents. These individuals possibly do not recognize such retirement homes are major financial and management undertakings with substantial business risks. They do represent a sizable market and opportunity for income for those who manage and operate them. It is also relevant to note about $40M or more is required to open such a home (modeled after the AFV concept).

7. Air Force Team (AFT).

a. When the AFV Board President advised the Air Force Chief of Staff in 1971 that the AFV was in jeopardy because of financial problems, the Chief of Staff directed the Air Force DCS/P to put a team together to help the AFV. The team was to consist of personnel, comptroller, and other representatives as necessary to "guide" the AFV "until self-sufficient." In December 1971, a memorandum was signed by the Director of Personnel Services at the Military Personnel Center and the President of the AFV Foundation. The memorandum identified the AFMPC Director of Personnel Services (now Director of Personnel Program Management) as the focal point for AFV to turn to for information and assistance, called for periodic meetings, announced that an AFT would advise and assist AFV, and stated that AFV would provide needed information to the Air Force. The following year, the Chief of Staff directed the AFT to expand their role to include the AFEWH by stating, "I want the Air Force Enlisted Widows Home not to be a problem for the next Chief of Staff." The plan was to continue the AFT relationship with the AFV and the AFEWH until relieved by the Chief of Staff or when the services were no longer desired by the two retirement homes. In June 1972, an agreement similar to the one with AFV was signed between the AFT and AFEWH.

b. The AFT operates under the provisions of Title 10 United States Code, which gives the Secretary of the Air Force broad statutory authority to manage the Air Force. This includes responsibility for the morale and welfare of retired personnel and their dependents. The AFV and AFEWH are viewed "as having

sufficiently close connection to members' welfare as to be a matter of 'official interest'" to the Secretary of the Air Force. However, Air Force actions are limited to services which are advisory and consultative in nature and which avoid any direct participation in the affairs of the corporations or direct support of the corporations from appropriated funds. Advisory and consultative services are provided to the AFV and AFEWH in the following areas: managerial and legal, financial, planning and budgeting, fund raising, public relations and information, engineering and procurement, and medical.

c. The AFT is composed of members from HQ USAF and others from outside agencies as appropriate. Membership includes the incumbents of the following positions: DCS, Personnel (AFT Chief); DCS Logistics and Engineering; Comptroller of the Air Force; The Judge Advocate General; Surgeon General; Office of Public Affairs. The action officer representatives of the Senior Team members form a Working Team which is led by the AFMPC Director of Personnel Program Management. It is the Working Team that maintains the regular and recurring contact with the two retirement homes. The key to AFT actions is that all involvement is advisory and consultative in nature, and performed for the benefit of the Air Force and the welfare needs of its people.

d. In the years immediately following the 1970 grand opening of AFV, the AFT workload was significant because of the substantial amount of support required. In recent years, involvement has been on a more modest scale and has usually consisted of periodic update meetings. Automatic information flow to the AFT includes newsletters, financial reports, and so on. The reason for the decline in the AFT involvement with AFV is that AFV is well led and managed and enjoys a healthy financial status. For example, the AFT was not a player in the AFV II expansion project, with one major exception (a management engineering study to provide AFV guidance on a new organization structure). The AFT and AFV relationship has been generally professional and harmonious throughout.

e. The same has not been the case with the AFEWH. The AFT has often found itself at odds with AFEWH. The basic reason for this is that the AFEWH for many years took actions which conflicted with the views of AFT members, active duty senior NCO leadership, or senior Air Force leaders. The low point of the relationship was in 1981 and 1982 when serious thought was given to terminating AFAF support. The AFEWH viewed the AFT as meddling in the affairs of private business, and on more than one occasion mentioned that the AFT officers were harassing them because they were noncommissioned officers. There is a lengthy history of negative relations. Only in the last four years have events occurred which cooled the situation. First, the AFT recognized it was in danger of going beyond providing advice and consultation. Second, it refrained from adopting a confrontational attitude in its dealings and replaced it with more subtle approaches. For example, AFAF policies and controls

were strengthened. Also, land legislation for BHV made the Secretary of the Air Force the approving authority for construction plans which was interpreted to include long-range financial planning. For its part, the AFEWH realized they would not succeed without help from the AFT because substantial amount of support was required for BHV, especially from the engineering and financial representatives of the Working Team.

f. A number of key points should be noted. The AFT was created by the Chief of Staff to provide advice and consultation services until the retirement homes were self-sufficient. AFV has reached this position. AFEWH operations are self-sufficient with the exception of needing additional funds to complete BHV. The AFT also serves another important purpose--action officers have been identified who are familiar with the homes and who can react rapidly when issues occur. Because the AFT exists, it is called upon to respond to matters concerning other retirement homes not affiliated with the Air Force. There is a workload associated with the AFT, although it is an additional duty for those officers tasked with AFT responsibilities. Occasionally, the workload becomes substantial and is a cause of concern because of the effect on other programs. In the case of the AFVW (nonaffiliate), in 1983 and early 1984, at least three Working Team members spent the better part of three months on the issue (basically land legislation and responding to high-level inquiries).

g. The proliferation of retirement homes is a subject which affects the AFT. Should the AFT role expand to cover all homes, and if so, to what degree, or, has the AFT now served its purpose, namely to assist the AFV and AFEWH through infancy? Is the Air Force now ready to commence withdrawing and permit the two institutions to completely stand on their own?

8. Air Force Assistance Fund (AFAF).

a. The AFAF is an annual fund-raising effort to benefit affiliates that provide support to Air Force military personnel and their dependents. The AFAF campaign was approved by the Secretary of the Air Force and Chief of Staff, HQ USAF, with the concurrence of the Assistant Secretary of Defense (Administration), and the Chairman, US Civil Service Commission (now Director, Office of Personnel Management).

b. There are three affiliates--Air Force Aid Society, AFEWH, and AFV. Each of these organizations provides support to members of the Air Force family in need. Prior to 1973, an annual fund raising event occurred only for the Air Force Aid Society. In 1973, the AFAF was created to include the AFV and the AFEWH. (The AFV was experiencing severe financial problems, and the decision was made that it would be appropriate to also include the AFEWH.) The AFAF was never intended to be a permanent fund-raiser for the retirement homes. Instead, it was conceived as an interim measure to help both institutions attain a healthy

financial status. In 1979, the AFAF rules were changed to require donors to designate contributions to the affiliate of their choice. (Primary reason for this change was to ensure enlisted donations were not being inadvertently directed to AFV.)

c. The AFEWH and AFV have benefitted significantly from the AFAF.

	1985	Total
Air Force Aid Society	$4.4M	$26.1M
Air Force Enlisted Widows Home	$1.3M	$ 9.1M
Air Force Village	$ .7M	$ 4.4M

These figures represent varying degrees of importance to the retirement homes. In 1985, AFAF donations represented approximately 40 percent of the AFEWH annual income but only 8 percent of that of AFV. This AFV percentage will probably decrease further when AFV II revenues are taken into consideration. In the case of the AFEWH, the figure could be as high as 70 percent because many one-time donations are being received from other sources toward construction of their BHV expansion. At the present time, the AFEWH could not survive financially without the AFAF, because of the construction and related costs associated with completing BHV. Since they are operating on a pay-as-you-go basis, once BHV is complete, the AFAF importance to the AFEWH will significantly drop. However, we don't know if AFEWH could continue to operate if AFAF support were withdrawn after BHV is completed. AFV officials feel, however, their institution could survive without AFAF support, although the result would most likely be an increase in some costs to residents to make up for the loss in income.

d. In 1983, the Air Force implemented several changes to the AFAF. These were approved by each of the affiliates in 1982. These changes were driven by the Air Force concern over the financing of the BHV expansion at the AFEWH. The Air Force could foresee that, unless action were taken soon, a proliferation of retirement home ventures could continue to place a demand on the Air Force for support. Since the Air Force and its members (active, civilian, and retired) had already given a substantial amount of financial and other support to the AFV and AFEWH through the years, in what was intended to be a "temporary" assist, the Air Force was not anxious to commit to unlimited efforts. The primary purposes behind these changes were to limit and account for the use of AFAF money and prevent a proliferation of affiliates. Below are the key changes that apply to retirement homes:

(1) Restricted Use of AFAF Funds. Funds are intended for the direct and indirect support of needy residents. Only 25 percent of the funds may be used for current operating expenses. The funds may not be used for capital improvements or structural expansion except to existing facilities. (A policy exception authorized use of AFAF funds for new facilities under construc-

tion or in final planning on 18 April 1983, which grandfathered BHV.)

(2) Finances. To monitor the expenditure of AFAF money, several requirements were implemented. Affiliates are required to maintain a financial accounting system acceptable to the Comptroller of the Air Force. Affiliates must disclose in detail the specific use of AFAF contributions. Each affiliate must conduct fiscal operations according to a detailed annual budget which is prepared and approved by its board of directors/trustees. Deviations from the budget require prior approval of the board. Each affiliate must submit an annual report to the Air Force providing a complete description of the affiliates' actions and accomplishments and a detailed accounting of revenues and expenditures to include specific accountability for AFAF contributions. An annual audit must be performed by an independent certified public accountant. There are provisions for affiliates to be suspended from the AFAF for noncompliance.

(3) No duplicate affiliates. Affiliates must offer services on an Air Force-wide basis. Organizations which offer services that duplicate those of existing affiliates will not be supported with AFAF contributions. (For example, since AFV offers a retirement community for Air Force retired officers and their dependents, any other organization which offers the same cannot become an affiliate.)

e. It is important to note that even though policy and procedures exist concerning the AFAF, compliance is impossible to ascertain. The retirement homes receive money from several other sources which gives them tremendous flexibility in financial accountability. Even though financial reports are submitted, there is no way to know if money was actually used as reported. Audits by independent certified public accountants are only as accurate as the auditor is competent, thorough, and trustworthy. AFV has an open corporation. Their board is elected by a sizable membership, and the board has great influence on management. On the other hand, the AFEWH is a closed corporation which has no constituency. Management exercises primary control, and the board functions in name only. In essence, the AFV management is controlled by a board that answers to a constituency. The AFEWH management is only controlled by their board on paper and answers to no constituency. Although the Air Force prefers the system employed by the AFV and has more confidence in it, there is still no way to truly know if all AFAF money is being properly used in either instance.

9. Discussion. It is important to briefly reiterate the historical evolvement of the Air Force relationship with the AFV and AFEWH. During the early 1960s when AFV was only a concept, and during the 1970s when AFEWH was in the same stage, there was never any intention to support more than one of either communities. Only when the AFV overcame its initial difficulties was there any serious consideration by others of additional

"villages." (To date, we know of no effort to establish a second facility for the enlisted community.) In fact, the former Chief of Staff who created the AFT, the late General John D. Ryan, stated that, "There was never any intention to provide a retirement community for all eligible officers or enlisted personnel or their widows/dependents." The official relationship with AFV and AFEWH was to insure that both started on a solid financial and managerial foundation and to focus the attention of their respective communities on these two facilities and these two only.

10. Options. There are obviously many options to consider in determining what future relationship, if any, the Air Force should have with retirement homes. Although many other options were considered by this study group, only primary ones are listed below. This is necessary to keep the number of options at a manageable level. Consideration was given not only to existing retirement communities, but also to those that are being planned, proposed, or discussed. The primary considerations are two-fold:

a. The absolute necessity of insuring the Air Force is kept at "arms length" from the retirement communities. Of particular importance is maintaining a total absence of official endorsement, direct or indirect, and avoiding the appearance of financial responsibility for the construction or operation of these communities.

b. The general welfare of the present and future residents of these communities, a consideration in keeping with, "The Air Force takes care of its own."

c. The courses of action (or options) follow:

(1) Continue AFAF with AFV only (recognize only one retirement community for officers). Since AFV is the only officer retirement community recognized as such by the Air Force, this is an attractive alternative. It makes a complex problem easy. However, the AFAF was established as only a temporary means of getting AFV in a positive financial situation. It was never intended to be a long-term or indefinite commitment. Because the financial structure of AFV is sound, the goal of the Air Force in establishing AFAF has been accomplished.

(2) Distribute the AFAF according to the number of retirement communities. Another easy answer. When the AFEWH gets on its feet, it is reasonable to assume that similar facilities will be established, just as communities similar to AFV are planned and proposed. The dilution of the funds designated through the AFAF could result in relatively small amounts to each facility, thereby significantly reducing any benefit to the residents, in effect having no major beneficial effects for the residents.

(3) Distribute according to needy Air Force widows. The

number of needy Air Force widows is declining because of numerous factors: Survivor Benefit Plan and other benefits, better paychecks, greater financial awareness, and better financial planning. Additionally, Air Force officer widows in financial need have an open door to AFV, generally being able to occupy a single bedroom apartment in 90 days or less. AFEWH has a similar policy. Since they are already established, AFV and AFEWH would have an undue advantage over other retirement facilities.

(4) Distribute according to donors' wishes. The Air Force should not be burdened with sorting and dispensing funds that can be provided directly from the donor to the recipient. Other avenues are available for support, either directly to the facility or through the wives' clubs. There is no requirement or need for a third party with the implied endorsement.

(5) Disengage over a period of time. This would be in keeping with the basic objectives when the AFAF drive was created to include the AFV and the AFEWH. As mentioned previously, the intention was for a temporary program, not a perpetual obligation.

(6) Continue support for the AFEWH. At the present time, the AFEWH receives about 40% of its support from the AFAF, and reaching a sound financial situation does not appear as a strong possibility in the near future.

11. Recommendations.

a. The AFAF should disengage from supporting the AFV. This should take place in the next three to seven years, in order to provide the AFV Board of Trustees and management an orderly and financially sound basis to adjust its fees and expenses. The method of disengagement, either gradually or with a cut-off date, can be resolved to the benefit of both parties.

b. With this planned disengagement, other "villages" should not anticipate any AFAF contributions or support.

c. The AFEWH should continue to be supported by the AFAF until BHV, as currently planned, is complete. However, AFAF support should continue contingent upon the following mandatory requirements:

(1) The AFEWH be converted from a "closed corporation" to an "open corporation" where management is responsible to a Board of Trustees or Directors which in turn is responsible to the residents/members.

(2) The AFT have access to all financial records and transactions, with instruction to recommend termination of AFAF support in accordance with existing AFAF provisions.

(3) The AFEWH be strongly encouraged to construct and

maintain a "health care center" as a matter of overriding priority over other construction.

d. The Air Force discourage use of "Air Force" in the titles of retirement communities. It implies endorsement, support, commitment, and so on.

12. Conclusion.

The recommendations provide for a planned and orderly transition for both the AFAF and the currently established facilities. They also permit the facilities to provide adequately for present and future residents, particularly needy residents. They establish criteria for continuing support to AFEWH. The recommendations address the question of the relationship the Air Force should have with other retirement communities. And finally, the recommendations clearly indicate that the Air Force should not support either directly or indirectly any more corporations having retired personnel or their widows/dependents living in corporate facilities, regardless of whether they use "Air Force" in their title.

EVAN W. ROSENCRANS, Lt Gen, USAF, Retired
Chairman

2 Atch
1. HQ USAF/DP Ltr, 19 Dec 85
2. Lt Gen Rosencrans Ltr, 15 Jan 86

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, D.C. 20330-5060

19 Dec 1985

Lieutenant General Evan W. Rosencrans, USAF, Retired
217 Sagecrest
San Antonio, Texas 78232

Dear General Rosencrans

Congratulations on completing your tour as President of the Air Force Village Board of Trustees. As the Air Force Team Chief, I am well aware of Village accomplishments under your leadership; Air Force Village II is representative of your outstanding direction. Because of your background, I would like to ask you to help resolve a long-standing Air Force issue.

The Air Force is affiliated through the Air Force Assistance Fund with the Village and the Air Force Enlisted Widows Home. You are generally familiar with the history of this involvement. Today, other retirement home ventures are brewing: Air Force Village West in California, Air Force Retired Officers Community in the District of Columbia, and so on. The Air Force is faced with a dilemma: What relationship, if any, should the Air Force have with other retirement homes?

What I have in mind is a study group chaired by you to provide the Air Force advice for use in preparing a "white paper" for the Chief of Staff. Membership would be up to you, but I would suggest that you include the Retiree Council Chairman and other senior representatives (medical, legal, engineering, budgeting, or other experience). The full services of the Air Force Team would be available to you; many of the working level representatives are stationed in San Antonio.

Again, I applaud your efforts at the Village and wish you well in your future endeavors. If you are able to, I would welcome your input in defining the Air Force relationship with other retirement homes.

Sincerely

John A Shaud

JOHN A. SHAUD
Lieutenant General, USAF
Deputy Chief of Staff, Personnel

EVAN W. ROSENCRANS
President
Chief Operating Officer

January 15, 1986

Lieutenant General John A. Shaud
Deputy Chief of Staff, Personnel
Headquarters United States Air Force
Washington, D.C. 20330-5060

Dear General Shaud:

With reference to your letter of last month concerning the Air Force relationship with retirement homes, I am pleased to accept the responsibility for a study group to address this issue. General James B. Davis arranged some excellent briefings for me yesterday. I believe the study group can complete its work here in San Antonio.

The Retiree Council Chairman, General Dreiseszun, has accepted my invitation to serve on the study group, as has Major General William H. Reddell, USAF Retired, who has a solid background in the growing pains and financial problems in developing a retirement community, as well as a knowledge of AFAF involvement. With the capable assistance of appropriate MPC staff members, we should have our recommendations to you in four to six weeks.

I can be reached through my office (512-496-3110) during business hours or at home (512-496-1745) in the evening.

Sincerely,

Evan W. Rosencrans
Lt. General USAF (Ret'd)

cc: Major General J. B. Davis

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